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# DOMESTIC MINES LIMITED

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## Annual Report 1978

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## Annual Meeting

The Annual and Special General Meeting of Shareholders will be held at the Royal York Hotel, Library, Toronto, Ontario on Monday, May 28, 1979 at 10:30 a.m. (Toronto time).

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the information circular will accompany the Notice of Annual and Special General Meeting which is being mailed to all shareholders.

## Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available to shareholders without charge by writing to Fraser M. Fell, Secretary of the Company, P.O. Box 30, Toronto-Dominion Centre, Toronto, Ontario, Canada, M5K 1C1.

## Annual Reports

Copies of the Annual Reports of the Company, Campbell Red Lake Mines Limited or Sigma Mines (Quebec) Limited are available without charge by writing to Suite 600, 365 Bay Street, Toronto, Ontario, Canada, M5H 2V9.

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# Comparative Highlights

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		<b>1978</b>	<b>1977</b>
<b>Operating Summary</b>	Fine ounces of gold	350,822	362,890
	Tons milled	1,473,000	1,479,000
	Bullion revenue	\$ 80,830,000	\$ 59,067,000
	Net income	\$ 52,568,000	\$ 37,108,000
<b>Per Ounce</b>	Revenue	\$230.40	\$162.77
	Operating costs	\$111.61	\$ 95.57
<b>Financial Position</b>	Working capital	\$ 41,101,000	\$ 53,318,000
	Shareholders' equity	\$188,959,000	\$145,211,000
<b>Per Share</b>	Net income	\$8.85	\$6.23
	Dividends	\$1.20	\$1.00
<b>Statistical Data</b>	Number of employees	1,367	1,331
	Number of shareholders	6,793	7,029
	Shares outstanding	6,440,004	6,440,004

# Report of the Directors to the Shareholders

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For Canadian gold producers in general, 1978 was a year of record sales and earnings and for Dome Mines, in its sixty-ninth year of production, revenue and net income were the highest in the history of the Company.

## Operations

Consolidated bullion revenue rose 37% from the previous year while earnings from mining operations increased 71% and net income 42%. The increase in revenue reflects the steady rise in the world price of gold throughout the year. In addition, as the Company's sales are reported in Canadian currency, the depreciation during 1978 of the dollar in terms of its U.S. counterpart has resulted in revenue being 9% higher than it would have been had the previous year's average exchange rate been in effect.

The Company's mines are currently operating at capacity with respect to the existing plants. However, the greatly increased gold sale prices require a complete reassessment as to the optimum mining grade and life of each of the properties.

## Investments

The Company's share of the earnings of Dome Petroleum Limited account for 56% of the consolidated income of Dome Mines. During 1978, Dome Petroleum had revenue of \$639,307,000, up 23% from the previous year while earnings of \$125,132,000 were up 20%. Dome Petroleum pays no dividends to its common shareholders but chooses instead to reinvest its earnings in continued expansion and growth.

On March 28, 1978 a total of 461,700 shares or 10.1% of the total 4,568,221 issued shares of Denison Mines Limited were purchased by Dome and its subsidiary companies as to 50% or 230,850 shares by Dome Mines, 40% or 184,680 shares by Campbell Red Lake Mines and 10% or 46,170 shares by Sigma Mines. Purchase of these shares of a large and profitable Canadian uranium producer serves to increase the exposure of Dome and its subsidiaries in the energy resource field and complements the investment in oil and gas represented by the ownership in Dome Petroleum and Panarctic Oils Ltd.

The Companies received dividends of \$3,140,000 during 1978 from their investment in Denison. That company's regular quarterly dividend of \$0.60 per share was supplemented late in the year with a special one-time dividend of \$5.00 per share. Early in 1979, the shareholders of Denison approved a 4:1 share split and management announced an annual dividend rate of \$1.00 per new share for the year 1979.

Included in net income for the year are non-recurring net gains from the sale of investments totalling \$4,997,000 before related income taxes. During the first quarter the Company sold its holding of 24,715 shares of Crows Nest Industries Limited for a gain before taxes of \$1,151,000. In the second quarter, a pre-tax gain of \$2,499,000 was realized from the sale of 82,400 shares of Cities Service Company, and in October, the Company sold its holding of 1,257,300 shares of The Yukon Consolidated Gold Corporation Limited for a pre-tax gain of \$1,405,000.

## Dividends

During 1978, the Directors approved quarterly dividends of \$0.20 per share and, in addition, an extra dividend of \$0.40 per share in the fourth quarter. Dividends declared for the year totalled \$7,728,000 or \$1.20 per share, up from the \$6,440,000 or \$1.00 per share last year.

## Outlook

Future gold prices are difficult to forecast as these are, at least in the short term, influenced significantly by political and economic events. However, the outlook for a continuing decrease in overall world production, the evidence of increasing industrial usage and an apparent growing recognition on the part of many of the central banks that gold does have an important role to play as a reserve asset, suggest that the upward trend of gold prices will continue.

In Canada, indications are that the Canadian dollar could remain at its current level of approximately \$0.85 U.S. for the remainder of 1979. If so, Dome Mines' earnings, stated in Canadian dollars, would benefit from a full year at such a rate as this would result in correspondingly higher revenue than in 1978 when the rate averaged \$0.88 U.S.

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## Organization

During the year, Mr. James B. Redpath retired after serving with distinction for a total of forty-seven years with the Company including the last eighteen years as President. Mr. Redpath's sound business judgement and dedication have contributed greatly to the Company's success and growth over the years. Mr. Redpath has consented to remain as a Director.

Mr. Edmund J. Andrecheck retired as Vice-President following many years of distinguished service with the Company.

As of July 1, 1978, Mr. C. Henry Brehaut was appointed Vice-President, Operations and Mr. H. Douglas Scharf was appointed Controller.



The Directors gratefully acknowledge the contribution and support of all employees of the Company.

A handwritten signature in black ink, appearing to read 'A. Bruce Matthews'.

A. BRUCE MATTHEWS,  
Chairman.

A handwritten signature in black ink, appearing to read 'Malcolm A. Taschereau'.

MALCOLM A. TASCHEREAU,  
President.

March 2, 1979.

# Management Review of Consolidated Operations

## Revenue

Bullion revenue of \$80,830,000 was up 37% from 1977 sales of \$59,067,000 while the 1977 sales were up 26% from those recorded in 1976. These increases were primarily the result of increases in revenue per ounce which rose from \$123.13 in 1976 and \$162.77 in 1977 to \$230.40 in the current year. During the same period, the number of fine ounces produced by Dome and its subsidiaries dropped from 379,000 in 1976, to 363,000 in 1977 and 351,000 in 1978.

During 1978, the average value of the Canadian dollar was \$0.88 U.S., down from \$0.94 in 1977 and \$1.01 in 1976. As gold sales by Dome Mines and its subsidiaries are expressed in Canadian dollars, the effect of this decline has been to increase bullion revenue per ounce by 7% in 1978 and 7% in 1977.

## Operating Costs

Operating costs of \$39,155,000 were 13% higher than the \$34,683,000 incurred in 1977 and these in turn were 7% higher than in 1976. While the major reason for the escalation in operating costs has been increased costs of labour, material and supplies, a second factor in 1978 has been the resumption of the underground development program at the South Porcupine property which had been largely curtailed following the drop in the price of gold which occurred in 1976. Development costs at all locations rose from \$3,559,000 in 1977 to \$4,524,000 in the current year, an increase of 27%.

## Exploration

The Company, its subsidiaries and Dome Petroleum Limited participate in the exploration program conducted by Dome Exploration (Canada) Limited on their behalf. The main thrust of this program remains centered in Canada with particular emphasis placed in the areas where the existing mines are located. An increasing proportion of activity is, however, being directed to the United States including Alaska.

Participation in the various projects is shared among the companies of the Dome Group, depending upon the date

of origin of the project and the jurisdiction in which it is located, as follows:

	Projects Originating Prior to Jan. 1, 1977	Projects Originating After Jan. 1, 1977		
		Ontario	Quebec	Elsewhere
Dome Mines Limited	40%	50%	NIL	50%
Dome Petroleum Limited	33%	NIL	NIL	NIL
Campbell Red Lake Mines Limited	21%	50%	NIL	40%
Sigma Mines (Quebec) Limited	6%	NIL	100%	10%

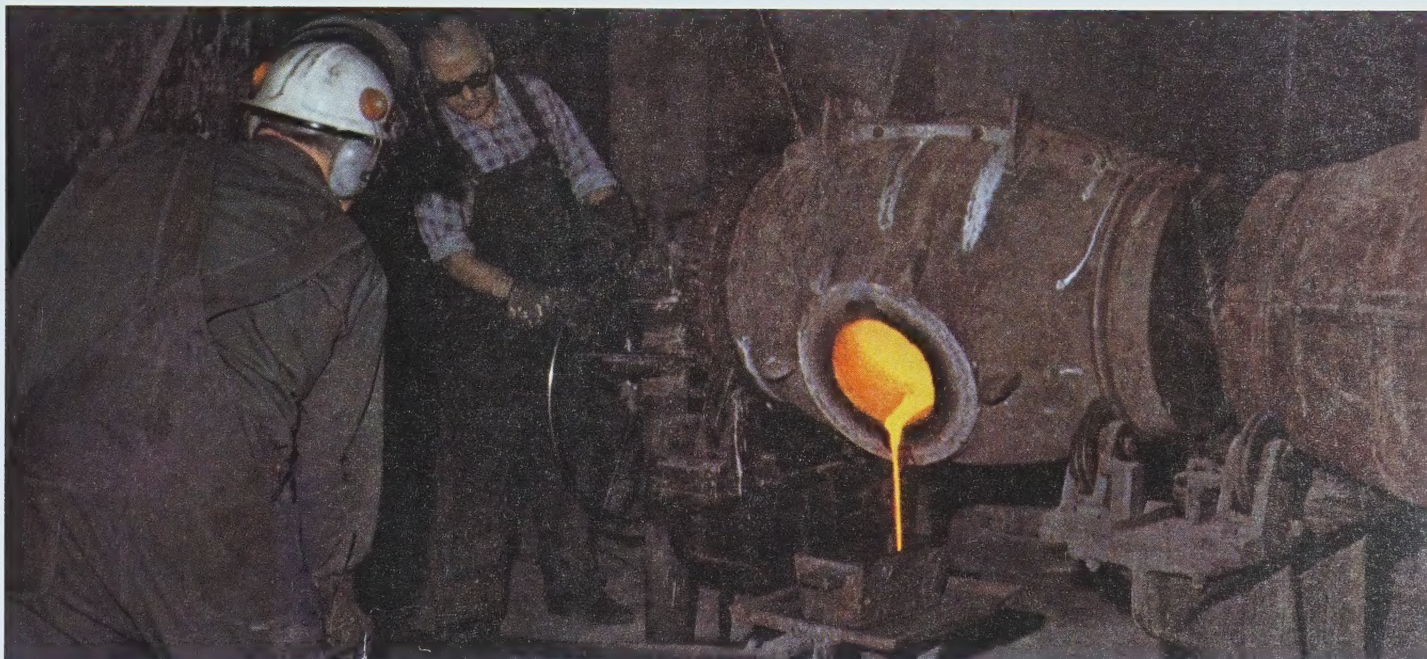
During the year, exploration expenditures of the group totalled \$2,184,000. Of this amount, \$565,000 was expended in Ontario, \$328,000 in Quebec, \$536,000 elsewhere in Canada and \$755,000 in the United States. Work was carried out on 61 separate projects including 48 continued from the previous year. This work included 23,348 feet of exploration diamond drilling, the staking of 538 claims and the optioning from others of 219 claims. A total of 13 persons were permanently employed in the exploration division and these were augmented by additional field personnel during the most active periods of the exploration season.

No significant mineral discoveries were made as a result of the 1978 program; however, work on 48 of the above projects is incomplete and will be continued in 1979.

Management plans a significant increase in its outside exploration efforts in the coming year. At the present level of operating profits, exploration expenditures, particularly in the provinces of Ontario and Quebec, are largely offset by reductions in taxes.

## Dome Petroleum Limited

The investment in Dome Petroleum, in which the Company has a 26% interest, has a major impact on the earnings reported by Dome Mines. Dome Petroleum recorded revenue of \$639,307,000 in 1978, up 23% from the \$521,433,000 of 1977. The 1977 revenue had risen 35% from the 1976 fiscal year. During the same period, net earnings rose to \$125,132,000, an increase of 20% from \$104,285,000 in 1977, which in turn was an increase of 89% from 1976. The equity in Dome Petroleum's earnings amounted to \$29,487,000 in 1978 or \$4.97 per Dome Mines' share as compared with \$25,888,000 or \$4.35 per Dome Mines' share in 1977. This represents 56% and 70% respectively of consolidated net income of Dome Mines.



### **Canada Tungsten Mining Corporation Limited**

During the year, the Company acquired an additional 55,000 shares of Canada Tungsten Mining Corporation Limited to bring the total number of shares owned by Dome to 1,000,912 or 20.1% of the issued shares. As a result of this additional acquisition, the investment in Canada Tungsten, which was previously carried at cost, is now accounted for by the equity method and the prior years' figures have been restated.

Dome's share of the earnings of Canada Tungsten amount to \$3,995,000 compared with \$3,039,000 in 1977 on a restated basis. During the year, Dome received dividends of \$1,001,000 compared to \$501,000 in 1977.

### **Mattagami Lake Mines Limited**

The Company has for a number of years owned 1,000,000 shares of Mattagami Lake Mines Limited, representing a 7.5% interest in that company. During the year, Mattagami paid dividends totalling \$200,000 to Dome, down from the \$900,000 paid the previous year. Late in the year, the shareholders approved in principle a proposed amalgamation with Noranda Mines Limited on the basis of 1 Class "A" share of Noranda for each 2½ shares of Mattagami. Following such an amalgamation, Dome will receive 444,444 Class "A" shares of Noranda, representing a 1.5% equity interest in this large and diversified company.

### **Exchange Gains**

Revenue from bullion sales is received in U.S. currency and during the year a significant portion of this revenue was retained in U.S. fixed deposits. The decline in the value of the Canadian dollar resulted in exchange gains of \$1,274,000 which are included in other income for the year.

### **Taxation**

In Canada, mining profits are subject to depletion and resource allowances for purposes of determining federal and provincial income taxes. However, in Ontario and Quebec, mining income is also subject to a provincial mining tax applied on a graduated scale. The combined income and mining tax rate on mining income for 1978 and 1977 was 53%.

Investment income is normally subject to the combined federal and provincial basic statutory rates. However, dividends received by Dome from Canadian corporations are not subject to tax and a portion of capital gains are non-taxable. As Dome received substantial dividend income and realized significant capital gains on the sale of investments during the year, the overall level of taxation on income declined from 49.9% in 1977 to 46.5% in 1978.

# Accounting Policies

December 31, 1978 and 1977

The following is a summary of the principal accounting policies of Dome Mines Limited ("Dome Minès"). These policies are in conformity with generally accepted accounting principles in Canada and are also, except as disclosed in note 4(a), in all material respects, in conformity with those generally accepted in the United States.

## A. Basis of consolidation

The consolidated financial statements include the accounts of all the subsidiary companies, Dome Exploration (Canada) Limited (wholly-owned), Dome Exploration (U.S.) Limited (wholly-owned), Campbell Red Lake Mines Limited (57% owned) and Sigma Mines (Quebec) Limited (63% owned).

## B. Investments in affiliated companies

### (i) Dome Petroleum Limited —

The investment in Dome Petroleum Limited ("Dome Petroleum") is accounted for by the equity method whereby the investment is carried at cost plus the company's share of undistributed earnings since acquisition. The excess of the cost of this investment over the underlying net book value at the various dates of acquisition is attributable to Dome Petroleum's oil and gas reserves, and is being amortized to income by reference to annual production in relation to the estimated recoverable reserves.

Since Dome Mines owns 26% (3,150,000 common shares) of Dome Petroleum and Dome Petroleum owns 31% (1,995,800 shares) of Dome Mines, these reciprocal shareholdings result in the company having an 8.1% interest in its own shares. The investment in Dome Petroleum and shareholders' equity are therefore reduced by the allocated portion of the cost which represents this pro rata interest in Dome Mines' shares held by Dome Petroleum, and the equity in the earnings of Dome Petroleum reflected in the consolidated statement of income is based on the earnings of Dome Petroleum excluding the latter's share of earnings of Dome Mines.

In 1978 it was concluded that as part of the elimination procedures for reciprocal shareholdings, the portion of the dividend paid by Dome Mines which is applicable to Dome Mines' pro rata interest in its own shares held by Dome Petroleum should be deducted from dividends paid (as reflected in retained earnings) and added to the investment account in Dome Petroleum. This modification, which has no effect on reported earnings for any year, has been reflected in the accounts on a retroactive basis.

### (ii) Canada Tungsten Mining Corporation Limited —

The investment in Canada Tungsten Mining Corporation Limited ("Canada Tungsten") (see note 2) is also accounted for by the equity method. Accordingly, the carrying value of this investment reflects Dome Mines' share of earnings since acquisition less dividends received to date. The excess of the cost of the investment over the underlying net book value at the various dates of acquisition is being amortized against Dome Mines' share of earnings at the rate of 15% per annum on a straight-line basis.

## C. Valuation of inventories

Bullion on hand and in transit is valued at estimated net realizable value.

Mining and milling supplies are valued at cost determined on an average cost basis.

## D. Valuation of investments

Except for the investments in affiliated companies (B above), short-term commercial paper and marketable securities are valued at the lower of cost and market and other investments with a quoted market value are valued at cost. The investment in oil and gas properties is carried at cost (gross expenditure less the frontier exploration allowance incentive) pending the results of exploration on such properties. All other investments are carried at cost except for Panarctic Oils Ltd. (acquired for development work) which has, since January 1, 1973, been carried at the amount expended since that date (with the tax deduction arising as a result of writing these expenditures off for income tax purposes being included with deferred income taxes).

**E. Capital assets, depreciation and amortization**

Buildings, machinery and equipment are carried at cost. Depreciation on such assets is provided at the rate of 15% per annum on the straight-line method.

Mining claims and properties are at cost less amounts written off and are being amortized at the rate of 15% per annum on a straight-line basis.

Upon sale or retirement, the cost of capital assets and the related depreciation or amortization are removed from the accounts and any gain or loss is taken into income.

Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

**F. Mine development and exploration**

All mine development, shaft sinking and exploration expenditures are charged against income as incurred.

**G. Income and mining taxes**

The companies follow the tax allocation method of accounting. Under this method, timing differences between accounting income and the amount of income reported for tax purposes (which arise principally as a result of claiming depreciation and exploration at rates differing from those recorded in the accounts) result in provisions for deferred taxes.

## Consolidated Statements of Retained Earnings

Years Ended December 31, 1978 and 1977

	1978	1977
Retained earnings, beginning of year:		
As previously reported	\$123,975,000	\$ 95,845,000
Adjustment to reflect the adoption of the equity basis of accounting for Canada Tungsten Mining Corporation Limited (note 2)	5,244,000	2,706,000
Adjustment to reflect prior years' dividends paid by Dome Mines which are applicable to Dome Mines' pro rata interest in its own shares held by Dome Petroleum (Accounting policy note B)	672,000	189,000
As restated	129,891,000	98,740,000
Net income for the year	52,568,000	37,108,000
	182,459,000	135,848,000
Dividends (1978 — \$1.20 per share; 1977 — \$1.00 per share)	7,728,000	6,440,000
Less portion which is applicable to the pro rata interest in Dome Mines' shares held by Dome Petroleum (Accounting policy note B)	603,000	483,000
	7,125,000	5,957,000
Retained earnings, end of year	\$175,334,000	\$129,891,000

(See accompanying notes to consolidated financial statements)

## Consolidated Balance Sheets

December 31, 1978 and 1977

<b>Assets</b>	<b>1978</b>	<b>1977</b>
<b>Current assets:</b>		
Cash, including bank term deposits	\$ 45,106,000	\$ 26,438,000
Bullion (note 3)	9,822,000	7,151,000
Short-term commercial paper	5,000,000	20,193,000
Marketable securities (schedule)	3,045,000	5,798,000
Sundry receivables	1,016,000	981,000
Mining and milling supplies	5,122,000	4,890,000
	<u>69,111,000</u>	<u>65,451,000</u>
<b>Investments:</b>		
Affiliated companies (note 4) —		
Dome Petroleum Limited	122,359,000	93,964,000
Canada Tungsten Mining Corporation Limited (note 2)	9,390,000	5,860,000
Other (schedule)	39,045,000	10,213,000
	<u>170,794,000</u>	<u>110,037,000</u>
<b>Capital assets:</b>		
Buildings, machinery and equipment	27,480,000	26,482,000
Less accumulated depreciation	23,421,000	22,180,000
	<u>4,059,000</u>	<u>4,302,000</u>
Mining claims and properties	143,000	277,000
	<u>4,202,000</u>	<u>4,579,000</u>
	<u>\$244,107,000</u>	<u>\$180,067,000</u>

(See accompanying notes)

## Auditors' Report

To the Shareholders of  
Dome Mines Limited:

We have examined the consolidated balance sheets of Dome Mines Limited as at December 31, 1978 and 1977 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period after giving retroactive effect to (a) the adoption of the equity method of accounting for the investment in an affiliated company as referred to in note 2 and (b) the modification in elimination procedures for reciprocal shareholdings as referred to in accounting policy note B.

Toronto, Canada, *G. L. Gordon & Co.*  
March 2, 1979. Chartered Accountants

**Liabilities****1978****1977****Current liabilities:**

Accounts payable and accrued liabilities

\$ 3,003,000

\$ 3,369,000

Income and other taxes payable

17,889,000

4,449,000

Dividends payable

7,118,000

4,315,000

28,010,00012,133,000**Deferred income taxes**2,524,0002,138,000**Minority interest in subsidiary companies**24,614,00020,585,000**Shareholders' Equity**

Capital —

Authorized:

10,000,000 shares of no nominal or par value

Issued:

6,440,004 shares

31,000,000

31,000,000

Contributed surplus

3,606,000

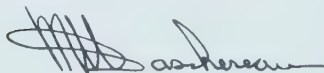
3,606,000

Retained earnings

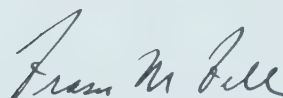
175,334,000129,891,000209,940,000164,497,000Less Dome Mines' pro rata interest (1978 — 503,997 shares;  
1977 — 482,879 shares) in the cost of its own shares held  
by Dome Petroleum Limited (note 4(a))20,981,00019,286,000188,959,000145,211,000\$244,107,000\$180,067,000

onsolidated financial statements)

On behalf of the Board:



Director



Director

# Consolidated Statements of Income

Years Ended December 31, 1978 and 1977

	1978	1977
Bullion revenue	\$80,830,000	\$59,067,000
Operating costs:		
Development	4,524,000	3,559,000
Mining	20,790,000	19,159,000
Milling	7,820,000	6,751,000
Refining and marketing	425,000	431,000
General and administrative	4,197,000	3,403,000
Depreciation and amortization	1,399,000	1,380,000
	<u>39,155,000</u>	<u>34,683,000</u>
Operating income	<u>41,675,000</u>	<u>24,384,000</u>
Other income (expense):		
Dividends	3,451,000	1,315,000
Interest	3,048,000	3,702,000
Gain on sale of securities	4,997,000	
Foreign exchange	1,274,000	(90,000)
	<u>12,770,000</u>	<u>4,927,000</u>
	54,445,000	29,311,000
Outside exploration	<u>2,019,000</u>	<u>1,803,000</u>
Income before taxes and other items	52,426,000	27,508,000
Income and mining taxes (note 5)	<u>24,386,000</u>	<u>13,738,000</u>
Income after taxes, before other items	28,040,000	13,770,000
Equity in earnings of affiliated companies (note 4):		
Dome Petroleum Limited	29,487,000	25,888,000
Canada Tungsten Mining Corporation Limited (note 2)	3,995,000	3,039,000
Minority interest in net income of subsidiary companies	<u>(8,954,000)</u>	<u>(5,589,000)</u>
Net income for the year	<u>\$ 52,568,000</u>	<u>\$ 37,108,000</u>
Net income per share (notes 2 and 6)	<u>\$8.85</u>	<u>\$6.23</u>

(See accompanying notes to consolidated financial statements)

# Consolidated Statements of Changes in Financial Position

Years Ended December 31, 1978 and 1977

	1978	1977
<b>Source of working capital:</b>		
Operations —		
Net income for the year	\$ 52,568,000	\$ 37,108,000
<b>Items not affecting working capital:</b>		
Depreciation and amortization	1,399,000	1,380,000
Deferred income taxes	386,000	1,400,000
Equity in undistributed earnings of —		
Dome Petroleum Limited	(29,487,000)	(25,888,000)
Canada Tungsten Mining Corporation Limited (note 2)	(2,994,000)	(2,538,000)
Minority interest in income of subsidiaries	8,954,000	5,589,000
Gain on sale of investments	(2,557,000)	
<b>Total from operations</b>	<u>28,269,000</u>	<u>17,051,000</u>
Proceeds on sale of investments	5,521,000	
<b>Total</b>	<u>33,790,000</u>	<u>17,051,000</u>
<b>Disposition of working capital:</b>		
Dividends	7,728,000	6,440,000
Dividends paid by subsidiaries to minority interests	4,925,000	3,407,000
Expenditures on capital assets	1,022,000	906,000
Investments	32,332,000	3,019,000
<b>Total</b>	<u>46,007,000</u>	<u>13,772,000</u>
<b>Net increase (decrease) in working capital for the year</b>	<u>\$ (12,217,000)</u>	<u>\$ 3,279,000</u>
<b>Changes in components of working capital:</b>		
Increase (decrease) in current assets —		
Cash and bank term deposits	\$ 18,668,000	\$ 8,193,000
Bullion	2,671,000	(300,000)
Short-term commercial paper	(15,193,000)	1,162,000
Marketable securities	(2,753,000)	(1,479,000)
Sundry receivables	35,000	(456,000)
Mining and milling supplies	232,000	325,000
	<u>3,660,000</u>	<u>7,445,000</u>
Increase (decrease) in current liabilities —		
Accounts payable and accrued liabilities	(366,000)	649,000
Income and other taxes payable	13,440,000	1,640,000
Dividends payable	2,803,000	1,877,000
	<u>15,877,000</u>	<u>4,166,000</u>
<b>Net increase (decrease) in working capital for the year</b>	<u>(12,217,000)</u>	<u>3,279,000</u>
<b>Working capital, beginning of year</b>	<u>53,318,000</u>	<u>50,039,000</u>
<b>Working capital, end of year</b>	<u>\$ 41,101,000</u>	<u>\$ 53,318,000</u>

(See accompanying notes to consolidated financial statements)

# Consolidated Schedules of Marketable Securities and Other Investments

December 31, 1978 and 1977

	1978		1977	
	Book value	Market value	Book value	Market value
<b>Marketable securities:</b>				
Government bonds	\$ 837,000	\$ 837,000	\$ 1,297,000	\$ 1,311,000
Corporate bonds	1,205,000	1,205,000	1,405,000	1,427,000
Common shares	1,003,000	1,003,000	3,096,000	5,655,000
	<u>\$ 3,045,000</u>	<u>\$ 3,045,000</u>	<u>\$ 5,798,000</u>	<u>\$ 8,393,000</u>
<b>Other investments:</b>				
With a quoted market value —				
Denison Mines Limited, common shares (1978 — 461,700; 1977 — nil)	\$31,477,000	\$34,166,000		
Mattagami Lake Mines Limited, common shares (note 9) (1978 — 1,000,000; 1977 — 1,000,000)	3,573,000	15,500,000	\$ 3,573,000	\$ 9,750,000
The Yukon Consolidated Gold Corporation Limited, common shares (1978 — nil; 1977 — 1,257,300)			2,015,000	2,766,000
	<u>35,050,000</u>	<u>\$49,666,000</u>	<u>5,588,000</u>	<u>\$12,516,000</u>
With no quoted market value —				
Panarctic Oils Ltd., common shares (1978 — 605,492; 1977 — 592,709)	1,977,000		1,646,000	
Oil and gas properties	1,840,000		1,840,000	
Sundry	178,000		1,139,000	
	<u>\$39,045,000</u>		<u>\$10,213,000</u>	

(See accompanying notes to consolidated financial statements)

# Notes to Consolidated Financial Statements

December 31, 1978 and 1977

## 1. Accounting policies

The principal accounting policies followed by the company and its subsidiaries are summarized under the caption "Accounting Policies" (page 6).

## 2. Effect of change in accounting policy

During the year, Dome Mines acquired an additional 55,000 shares of Canada Tungsten to bring the total number of shares owned to 1,000,912 or 20.1% of the total 4,990,000 issued shares of that company. As a result, the Company has adopted the equity method of accounting with retroactive application for its investment in Canada Tungsten.

The effect of the change has been to increase 1978 and 1977 reported income by \$2,994,000 (\$0.50 per share) and \$2,538,000 (\$0.43 per share) respectively. These amounts represent the excess of equity in earnings of Canada Tungsten over dividends received.

The balance of retained earnings at December 31, 1977, previously reported as \$123,975,000, has been restated to show a retroactive increase of \$5,244,000 representing Dome Mines' equity in the cumulative undistributed earnings of Canada Tungsten. Of the \$5,244,000, \$2,538,000 is applicable to the year 1977 and \$2,706,000 is applicable to years prior to January 1, 1977.

## 3. Bullion

Bullion on hand and in transit at the year end is valued at \$239 per ounce (1977 — \$167 per ounce).

## 4. Investment in affiliated companies

(a) Dome Petroleum Limited —

(i) Details of the investment in Dome Petroleum are as follows:

	1978	1977
Number of common shares	<u>3,150,000</u>	<u>3,150,000</u>
Carrying value:		
Cost	\$ 46,372,000	\$ 46,372,000
Dome Mines' pro rata cumulative interest in its own dividends paid to Dome Petroleum	1,275,000	672,000
Equity in undistributed earnings	<u>95,693,000</u>	<u>66,206,000</u>
	143,340,000	113,250,000
Less Dome Mines' pro rata interest in its own shares held by Dome Petroleum	<u>20,981,000</u>	<u>19,286,000</u>
	<u>\$122,359,000</u>	<u>\$ 93,964,000</u>
Market value (which is not necessarily indicative of realizable value)	<u>\$301,538,000</u>	<u>\$187,819,000</u>

The unamortized excess of the cost of the investment over the underlying book value at the various dates of acquisition is \$16,144,000 (1977 — \$17,122,000).

(ii) Summarized financial information for Dome Petroleum is as follows:

**Financial position —**

	<b>1978</b>	<b>1977</b>
Assets:		
Current assets	\$ 338,717,000	\$ 285,193,000
Investments —		
Dome Mines Limited (net of Dome Petroleum's pro rata interest in its shares held by Dome Mines of \$40,693,000)	49,115,000	39,098,000
Trans Canada PipeLines Limited	165,368,000	
Other	14,605,000	12,193,000
Property, plant and equipment (net)	1,130,910,000	850,745,000
Deposits and long-term receivables	14,655,000	10,514,000
	<u>\$ 1,713,370,000</u>	<u>\$ 1,197,743,000</u>
Liabilities:		
Current liabilities	\$ 248,500,000	\$ 183,492,000
Long-term debt	577,122,000	520,466,000
Deferred income taxes	208,885,000	160,418,000
	1,034,507,000	864,376,000
Shareholders' equity	678,863,000	333,367,000
	<u>\$ 1,713,370,000</u>	<u>\$ 1,197,743,000</u>
<b>Results of operations —</b>		
Revenue	\$ 639,307,000	\$ 521,433,000
Expense:		
Cost of product	292,117,000	254,261,000
Operating and general	94,124,000	74,473,000
Depreciation	24,538,000	19,500,000
Depletion	7,268,000	5,689,000
Interest on long-term debt	43,609,000	27,982,000
Other interest	2,905,000	1,464,000
Preferred share dividends of subsidiaries	2,147,000	
	466,708,000	383,369,000
	172,599,000	138,064,000
Deferred income taxes	47,467,000	33,779,000
Net earnings for the year	<u>\$ 125,132,000</u>	<u>\$ 104,285,000</u>

Certain accounting policies of Dome Petroleum are as follows —

1. Dome Petroleum follows the full-cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized.
2. The company follows the accounting principle generally accepted in Canada of translating long-term debt payable in U.S. funds at rates prevailing at dates the obligations were incurred. This practice differs from the U.S. accounting principle which requires translation at rates in effect at the year end. As disclosed in Dome Petroleum's annual report, compliance with U.S. accounting principles would have increased long-term debt by \$31,296,000 at December 31, 1978 (1977 — \$11,886,000) and reduced their earnings by \$19,410,000 in 1978 and \$10,146,000 in 1977. Accordingly, Dome Mines' equity in the earnings of Dome Petroleum and net income would have been reduced by \$4,912,000 in 1978 (\$0.83 per share) and \$2,575,000 in 1977 (\$0.43 per share) if U.S. accounting principles had been followed.
3. The company's investments in Dome Mines Limited and Trans Canada PipeLines Limited are accounted for by the equity method.

(b) Canada Tungsten Mining Corporation Limited —

Details of the investment in Canada Tungsten are as follows:

	1978	1977
Number of shares	<u>1,000,912</u>	<u>945,912</u>
Carrying value:		
Cost	\$ 1,152,000	\$ 616,000
Equity in undistributed earnings	<u>8,238,000</u>	<u>5,244,000</u>
	<u>\$ 9,390,000</u>	<u>\$ 5,860,000</u>
Market value (which is not necessarily indicative of realizable value)	<u>\$22,270,000</u>	<u>\$ 8,986,000</u>

The unamortized excess of the cost of the investment over the underlying book value at the various dates of acquisition is \$158,000 (1977 — \$44,000).

## 5. Income and mining taxes

(a) The provision for income and mining taxes consists of:

	1978		1977	
	Current	Deferred	Current	Deferred
Federal income tax	\$12,280,000	\$ 250,000	\$ 5,959,000	\$ 1,182,000
Provincial income tax	4,238,000	136,000	2,107,000	218,000
Provincial mining tax	7,482,000		4,272,000	
	<u>\$24,000,000</u>	<u>\$ 386,000</u>	<u>\$12,338,000</u>	<u>\$ 1,400,000</u>

(b) Income and mining taxes for 1978 on all sources of income are provided at a combined federal and provincial effective rate of 46.5%, a decrease of 3.4% from 49.9% in 1977.

The difference between the combined federal and provincial basic statutory rate and that used in calculating the provision for income and mining taxes is made up as follows:

	1978		1977	
	On operating income less outside exploration	On other income	On operating income less outside exploration	On other income
Income taxes —				
Basic statutory rate (combined)	<u>48.7%</u>	<u>48.7%</u>	<u>48.0%</u>	<u>48.0%</u>
Less:				
Resource allowance	7.2		7.4	
Depletion	5.0		5.6	
Exempt income*		20.9		12.8
Sundry	<u>2.9</u>		<u>0.7</u>	
	<u>15.1</u>	<u>20.9</u>	<u>13.7</u>	<u>12.8</u>
Effective rate	33.6	27.8	34.3	35.2
Mining taxes — average rate	18.9		18.9	
Combined income and mining tax rate	<u>52.5%</u>	<u>27.8%</u>	<u>53.2%</u>	<u>35.2%</u>

\* Exempt income consists principally of dividends from Canadian corporations and the non-taxable portion of capital gains.

## 6. Earnings per share

Earnings per share are calculated by using the weighted average number of shares outstanding after deducting the company's pro rata interest in its own shares (1978 — 502,567; 1977 — 483,130) held by Dome Petroleum.

## 7. Directors and officers

The aggregate remuneration of the directors and officers of Dome Mines Limited as defined in Section 122.2 of the Canada Corporations Act is as follows:

	1978	1977
To the thirteen directors (eleven in 1977) as directors	\$ 39,600	\$ 27,600
To the thirteen officers (eleven in 1977), four of whom are also directors, as officers*	\$406,000	\$370,000

\* Includes \$176,000 (\$92,000 in 1977) received by the officers from the wholly and partially-owned subsidiaries.

## 8. Quarterly financial data

Summarized quarterly financial data for 1978 and 1977 are as follows (unaudited)

	Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31
	<i>(in thousands except per share)</i>			
<b>1978</b>				
Bullion revenue	\$18,213	\$16,564	\$23,428	\$22,625
Operating income	\$ 9,027	\$ 6,909	\$13,558	\$12,181
Equity in earnings of Dome Petroleum	\$ 4,916	\$ 3,624	\$11,260	\$ 9,687
Net income	\$10,090	\$ 9,009	\$16,242	\$17,227
Net income per share	\$ 1.70	\$ 1.52	\$ 2.73	\$ 2.90
<b>1977</b>				
Bullion revenue	\$13,755	\$14,145	\$14,666	\$16,501
Operating income	\$ 5,609	\$ 5,565	\$ 6,087	\$ 7,123
Equity in earnings of Dome Petroleum	\$ 4,404	\$ 3,417	\$10,121	\$ 7,946
Net income	\$ 7,285	\$ 5,958	\$12,741	\$11,124
Net income per share	\$ 1.22	\$ 1.00	\$ 2.14	\$ 1.87

## 9. Subsequent event

On December 28, 1978 the shareholders of Mattagami Lake Mines Limited ("Mattagami") approved a merger with Noranda Mines Limited ("Noranda") to take effect on or about March 30, 1979. Under the terms of the merger one Class A share of Noranda will be exchanged for each two and one-quarter common shares of Mattagami. Dome Mines will, therefore, receive 444,444 Class A shares of Noranda, representing a 1.5% interest in that company in exchange for its holding of 1,000,000 common shares of Mattagami.

# Schedule of Supplementary Information

(in thousands except per share data)

	December 31, 1978				December 31, 1977			
	Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited	Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited
Dome Mines' ownership		57%	63%			57%	63%	
<b>Bullion revenue</b>	<b>\$21,782</b>	<b>\$42,138</b>	<b>\$16,910</b>	<b>\$80,830</b>	<b>\$15,524</b>	<b>\$31,045</b>	<b>\$12,498</b>	<b>\$59,067</b>
<b>Operating expenses:</b>								
Operating costs	16,690	10,764	10,302	37,756	13,966	9,779	9,558	33,303
Depreciation and amortization	403	880	116	1,399	391	880	109	1,380
	<u>17,093</u>	<u>11,644</u>	<u>10,418</u>	<u>39,155</u>	<u>14,357</u>	<u>10,659</u>	<u>9,667</u>	<u>34,683</u>
Operating income	<u>4,689</u>	<u>30,494</u>	<u>6,492</u>	<u>41,675</u>	<u>1,167</u>	<u>20,386</u>	<u>2,831</u>	<u>24,384</u>
<b>Other income:</b>								
Dividends	1,881	1,256	314	3,451	1,315			1,315
Interest	406	2,180	462	3,048	747	2,435	520	3,702
Gain on sale of securities	4,990	7		4,997				
Foreign exchange	156	873	245	1,274	(39)	(50)	(1)	(90)
	<u>7,433</u>	<u>4,316</u>	<u>1,021</u>	<u>12,770</u>	<u>2,023</u>	<u>2,385</u>	<u>519</u>	<u>4,927</u>
	12,122	34,810	7,513	54,445	3,190	22,771	3,350	29,311
Outside exploration	<u>935</u>	<u>756</u>	<u>328</u>	<u>2,019</u>	<u>861</u>	<u>738</u>	<u>204</u>	<u>1,803</u>
Income before taxes and other items	<u>11,187</u>	<u>34,054</u>	<u>7,185</u>	<u>52,426</u>	<u>2,329</u>	<u>22,033</u>	<u>3,146</u>	<u>27,508</u>
<b>Income and mining taxes:</b>								
Federal income tax	1,647	9,027	1,856	12,530	362	5,950	829	7,141
Provincial income tax	750	2,928	696	4,374	168	1,850	307	2,325
Provincial mining tax	735	5,955	792	7,482	90	3,871	311	4,272
	<u>3,132</u>	<u>17,910</u>	<u>3,344</u>	<u>24,386</u>	<u>620</u>	<u>11,671</u>	<u>1,447</u>	<u>13,738</u>
Income after taxes, before other items	<u>8,055</u>	<u>16,144</u>	<u>3,841</u>	<u>28,040</u>	<u>1,709</u>	<u>10,362</u>	<u>1,699</u>	<u>13,770</u>
<b>Equity in earnings of affiliates:</b>								
Dome Petroleum	28,190	865	432	29,487	24,739	767	382	25,888
Canada Tungsten	3,995			3,995	3,039			3,039
Income before minority interest	<u>40,240</u>	<u>17,009</u>	<u>4,273</u>	<u>61,522</u>	<u>29,487</u>	<u>11,129</u>	<u>2,081</u>	<u>42,697</u>
Minority interest		(7,355)	(1,599)	(8,954)		(4,811)	(778)	(5,589)
<b>Dome Mines' share of net income</b>	<b><u>\$40,240</u></b>	<b><u>\$ 9,654</u></b>	<b><u>\$ 2,674</u></b>	<b><u>\$52,568</u></b>	<b><u>\$29,487</u></b>	<b><u>\$ 6,318</u></b>	<b><u>\$ 1,303</u></b>	<b><u>\$37,108</u></b>
<b>Amount per share of Dome Mines</b>	<b><u>\$ 6.78</u></b>	<b><u>\$ 1.62</u></b>	<b><u>\$ 0.45</u></b>	<b><u>\$ 8.85</u></b>	<b><u>\$ 4.95</u></b>	<b><u>\$ 1.06</u></b>	<b><u>\$ 0.22</u></b>	<b><u>\$ 6.23</u></b>
<b>Working capital:</b>								
Current assets	\$17,780	\$45,451	\$10,310	\$69,111	\$19,233	\$38,235	\$10,368	\$65,451
Current liabilities	7,677	20,658	4,121	28,010	3,940	7,426	3,178	12,133
	<u>\$10,103</u>	<u>\$24,793</u>	<u>\$ 6,189</u>	<u>\$41,101</u>	<u>\$15,293</u>	<u>\$30,809</u>	<u>\$ 7,190</u>	<u>\$53,318</u>
<b>Production:</b>								
Tons milled	<u>679</u>	<u>301</u>	<u>493</u>	<u>1,473</u>	<u>686</u>	<u>297</u>	<u>496</u>	<u>1,479</u>
Fine ounces of gold	<u>94</u>	<u>184</u>	<u>73</u>	<u>351</u>	<u>94</u>	<u>191</u>	<u>78</u>	<u>363</u>

# Report of the Manager

Gold production in 1978 at the South Porcupine mine was 94,161 ounces as compared to 94,261 ounces in 1977. The mill treated 679,200 tons averaging 0.144 ounces per ton, essentially the same as in 1977.

Bullion revenue averaged \$231.33 Canadian per ounce for the year. This compares with an average of \$164.69 in 1977. Operating costs per ounce were \$181.53 and \$152.31 respectively for the two years.

Total operating costs were \$25.17 per ton milled in 1978, an increase of 20% over the 1977 unit cost. The increase in operating costs was mainly due to increased mill maintenance expenditures, a resumption of the pre-1977 rate of development and additional administrative costs. A breakdown of unit costs per ton by major activity is presented below:

	1978	1977
Development	\$ 2.06	\$ 1.09
Mining	14.72	13.38
Milling	4.46	3.32
Other	3.93	3.15
	<u>\$25.17</u>	<u>\$20.94</u>

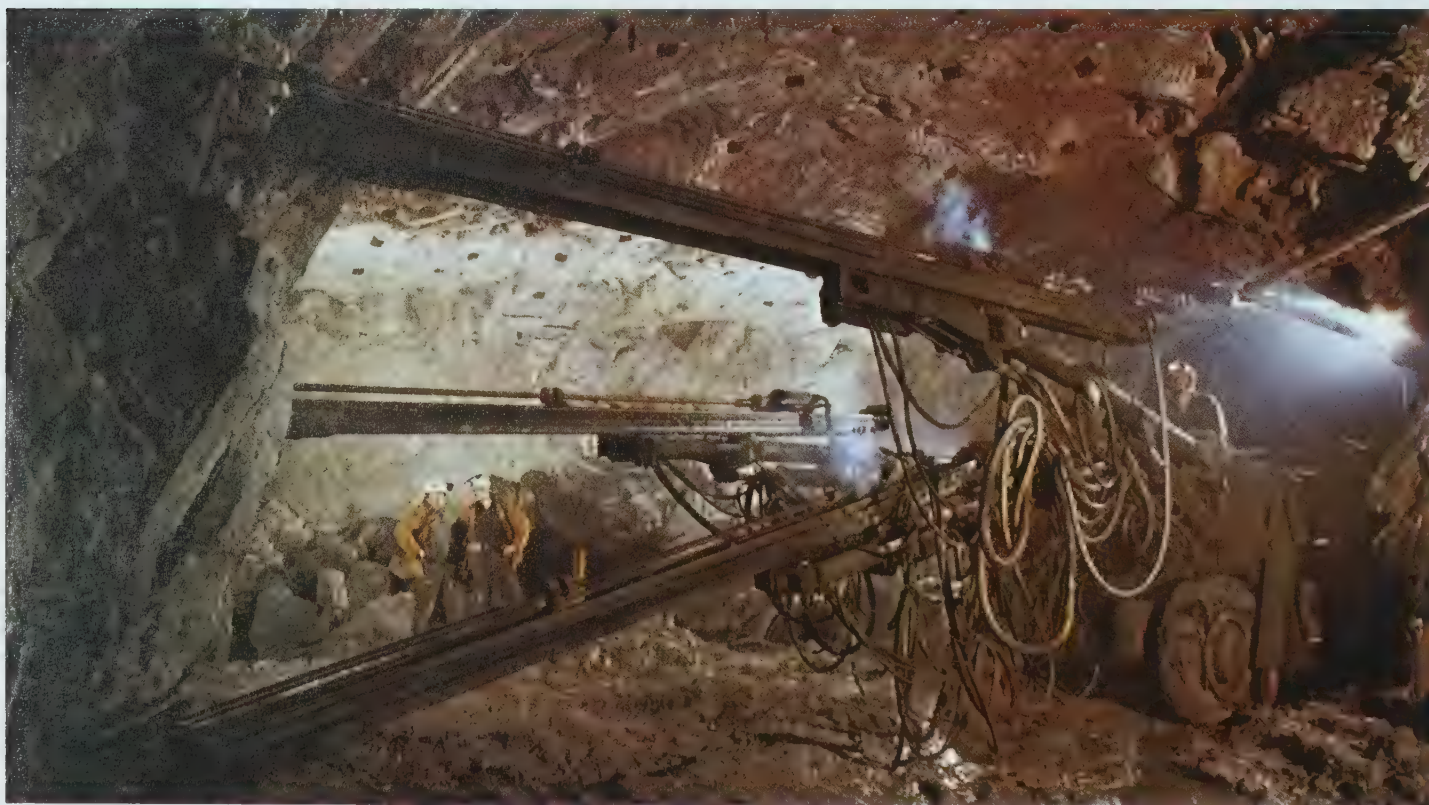
## Development

Development work for the year totalled 8,266 feet, an increase of 124% over the previous year. The main areas of activity were exploration adjacent to the Dome-Preston boundaries and development and preparation for mining of known zones. No new major zones were encountered in 1978.

Diamond drilling increased during the year to 43,030 feet from 37,943 feet in 1977. This drilling was largely for the purpose of outlining vertical and horizontal extensions of known ore zones and as a guide to mining.

Development and diamond drilling footage are presented below:

Area	Drifts and Crosscuts	Raises	Total	Diamond Drilling
No. 3 Shaft	1,748	2,305	4,053	19,377
No. 6 Shaft	2,668	1,545	4,213	23,653
Total 1978	<u>4,416</u>	<u>3,850</u>	<u>8,266</u>	<u>43,030</u>
Total 1977	<u>1,891</u>	<u>1,797</u>	<u>3,688</u>	<u>37,943</u>



## Ore Reserves

Ore reserves as of December 31, 1978 were estimated to be 1,859,000 tons averaging 0.221 ounces per ton. At the end of 1977 reserves were 1,867,000 tons at the same grade. Details of the ore reserves by area as of December 31, 1978 and extraction during 1978 are shown in the following table:

Area	Reserves		Extractions	
	Tons	Grade (oz./ton)	Tons	Grade (oz./ton)
No. 3 Shaft	678,900	0.216	408,470	0.141
No. 6 Shaft	1,180,100	0.224	270,730	0.148
Total	1,859,000	0.221	679,200	0.144

## Mining

Of the 679,200 tons delivered to the mill in 1978, 654,600 tons averaging 0.145 ounces were produced from stopes and 24,600 tons at 0.108 ounces resulted from development activities.

The distribution of ore by mining method is presented in the following table. Longhole stoping provided 48% of the ore from the No. 3 Shaft area but cut-and-fill mining was the predominant method in the No. 6 Shaft area providing 48% of the ore.

	1978	1977
Cut-and-fill	46%	43%
Shrinkage	3	1
Longhole	48	55
Development	3	1
	100%	100%

During the year 17,100 tons of waste rock were excavated, of which 8,000 tons were hoisted to surface. The remaining 9,100 tons were used as backfill in stopes. In addition, 239,500 tons of classified mill tailings were placed underground as stope fill.

## Mill

The following are the results of milling operations for the past two years:

	1978	1977
Tons per day	1,861	1,879
Tons treated	679,200	685,800
Grade treated — oz./ton	0.144	0.144
Recovery grade — oz./ton	0.138	0.138
Recovery — %	95.97	95.77

As planned, the mill operated 355 days in 1978 compared to 349 days in 1977 when mill feed was interrupted for hoist repairs.

The reduction in the average number of tons milled per day resulted from difficulties encountered due to a change in ore characteristics which occurred toward the end of 1978 and a deterioration in the operating condition of the mill filters. The change in ore characteristics adversely affected the capacity of the thickeners and while operating practices are being modified to increase throughput the exact nature of the problem has yet to be determined. In the filter section, engineering studies are underway and an upgrading of this area is planned for 1979. Three used drum filters were purchased in 1978 in anticipation of this program.

## Capital Expenditures

Net capital expenditures for the year totalled \$330,000, a decrease of \$3,000 from the level of expenditures in 1977. Major items were the completion of the ball mill installation started in 1977, the purchase of three used drum filters and the purchase of a one-yard remote controlled electric scooptram.

## General

An agreement was signed on June 29, 1978 with the United Steelworkers of America for a one year contract ending April 18, 1979. The package of wage and fringe benefits totalled just under 8%.

The total number of employees increased from 588 at the end of 1977 to 619 at the end of 1978. Payments for wages and salaries and other major items are listed below:

Wages and salaries	\$10,461,000
Supplies and services	\$ 6,056,000
Income and mining taxes	\$ 3,132,000

After fifty years of operation, the No. 3 Shaft headframe required major maintenance, including the replacement of some steel sections and the re-enforcement of others. Repairs were also made to the exterior of the main office building in 1978.

The frequency of compensable injuries in 1978 increased over 1977 but their severity was significantly reduced.



# Share Information

## Dividends

The dividends declared in Canadian dollars on the Company's shares for each quarterly period during 1978 and 1977 are shown below.

	1978			1977		
	Regular	Extra	Total	Regular	Extra	Total
First Quarter	\$0.20		\$0.20	\$0.20		\$0.20
Second Quarter	0.20		0.20	0.20		0.20
Third Quarter	0.20		0.20	0.20		0.20
Fourth Quarter	0.20	\$0.40	0.60	0.20	\$0.20	0.40
Total for the year	<u>\$0.80</u>	<u>\$0.40</u>	<u>\$1.20</u>	<u>\$0.80</u>	<u>\$0.20</u>	<u>\$1.00</u>

## Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded. Shown below are the high and low sale prices for the Company's shares on these exchanges for the periods indicated.

New York Stock Exchange (United States Dollars)	1978		1977	
	High	Low	High	Low
First Quarter	\$71 <sup>5</sup> / <sub>8</sub>	\$63 <sup>1</sup> / <sub>8</sub>	\$52 <sup>7</sup> / <sub>8</sub>	\$42 <sup>1</sup> / <sub>2</sub>
Second Quarter	79 <sup>7</sup> / <sub>8</sub>	62 <sup>3</sup> / <sub>4</sub>	49 <sup>1</sup> / <sub>2</sub>	43 <sup>1</sup> / <sub>2</sub>
Third Quarter	92 <sup>1</sup> / <sub>2</sub>	74 <sup>5</sup> / <sub>8</sub>	56 <sup>3</sup> / <sub>4</sub>	45 <sup>3</sup> / <sub>8</sub>
Fourth Quarter	95	65 <sup>1</sup> / <sub>2</sub>	64 <sup>1</sup> / <sub>2</sub>	54

Toronto Stock Exchange (Canadian Dollars)	1978		1977	
	High	Low	High	Low
First Quarter	\$78 <sup>3</sup> / <sub>4</sub>	\$70 <sup>1</sup> / <sub>2</sub>	\$54 <sup>1</sup> / <sub>2</sub>	\$43
Second Quarter	89	72	52	46
Third Quarter	106	84 <sup>1</sup> / <sub>4</sub>	60 <sup>1</sup> / <sub>2</sub>	49
Fourth Quarter	112	78	70 <sup>1</sup> / <sub>2</sub>	58 <sup>7</sup> / <sub>8</sub>

## Exchange Listings

The Company's shares are listed on The New York Stock Exchange in the United States, on The Toronto and Montreal Stock Exchanges in Canada and are traded on the Paris Bourse.

The shares are also admitted for unlisted trading on the Detroit and Midwest Stock Exchanges in the United States.

Stock symbol: DM

## Directors

† **A. Bruce Matthews,**  
Chairman,  
Toronto, Ontario  
Deputy Chairman,  
Argus Corporation Limited

**Malcolm A. Taschereau,**  
President,  
Toronto, Ontario  
Dome Mines Limited

† **Fraser M. Fell, Q.C.,**  
Secretary,  
Toronto, Ontario  
Partner, Fasken & Calvin

**John P. Gallagher,**  
Calgary, Alberta  
Chairman and Chief Executive  
Officer,  
Dome Petroleum Limited

\* **William F. James,**  
Toronto, Ontario  
Partner, James & Buffam

**Maclean E. Jones, Q.C.,**  
Calgary, Alberta  
Partner, Jones, Black & Company

\* † **Allen T. Lambert,**  
Toronto, Ontario  
Retired Chairman,  
The Toronto-Dominion Bank

\* † **John K. McCausland,**  
Toronto, Ontario  
Retired Vice-President,  
Wood Gundy Limited

**Clifford L. Michel,**  
New York, U.S.A.  
Partner, Cahill Gordon & Reindel

**F. Warren Pershing,**  
New York, U.S.A.  
Chairman,  
Pershing & Co. Inc.

**James B. Redpath,**  
Toronto, Ontario  
Retired President,  
Dome Mines Limited

**William E. Richards,**  
Calgary, Alberta  
President,  
Dome Petroleum Limited

\* Member of the Audit Committee

† Member of Compensation Committee

## Officers

**A. Bruce Matthews,**  
Chairman

**Malcolm A. Taschereau,**  
President and Chief Executive Officer

**C. Henry Brehaut,**  
Vice-President, Operations

**G. S. Wallace Bruce,**  
Vice-President, Exploration

**Fraser M. Fell, Q.C.,**  
Secretary

**Robert B. Hutchison,**  
Treasurer

**H. Douglas Scharf,**  
Controller

**James E. Alexander,**  
Assistant Secretary

**John H. Hough,**  
Assistant Secretary

**Harry V. Pyke,**  
Manager

**Robert J. Perry,**  
General Superintendent

### Executive Office

Suite 600,  
365 Bay Street,  
Toronto, Ontario  
M5H 2V9  
(416) 364-3453

### Location of Mine

Dome Mines Limited,  
South Porcupine, Ontario  
P0N 1H0

### Address of the Secretary

Box 30,  
Toronto-Dominion Centre,  
Toronto, Ontario  
M5K 1C1

### Registrars

Canada Permanent Trust Company,  
320 Bay Street,  
Toronto, Ontario  
M5H 2P6

The Toronto-Dominion Bank Trust  
Company,  
45 Wall Street,  
New York, N.Y. 10005

### Transfer Agents

Crown Trust Company,  
302 Bay Street,  
Toronto, Ontario  
M5H 2P4

The Bank of New York,  
48 Wall Street,  
New York, N.Y. 10015

### Auditors

Clarkson, Gordon & Co.,  
Box 251,  
Toronto-Dominion Centre,  
Toronto, Ontario  
M5K 1J7

### General Counsel

Fasken & Calvin,  
Box 30,  
Toronto-Dominion Centre,  
Toronto, Ontario  
M5K 1C1





## TO THE SHAREHOLDERS:

Consolidated net income for the six months ended June 30, 1978 was \$19,099,000 or \$3.22 per share compared with \$13,243,000 or \$2.22 per share in the same period one year ago. The prior year's earnings have been restated to reflect the adoption of the equity basis of accounting for the company's investment in Canada Tungsten Mining Corporation Limited.

Bullion revenue of the company and its subsidiaries for the six months totalled \$34,777,000, an increase of 24.7 per cent over the \$27,900,000 recorded in the prior year. However, second quarter revenue of \$16,564,000 was down from \$18,213,000 in the first quarter of 1978 but was higher than the \$14,145,000 recorded in the three months ended June 30, 1977. The drop in revenue from the preceding three months can be attributed in part to a drop in the selling price of gold during the latter part of April and early May and, secondly, to a decrease of approximately 6,000 fine ounces of gold produced by Campbell Red Lake Mines Limited due to a higher than normal number of stopes being engaged in backfilling operations. It is expected that this short-fall in gold production will be recovered during the third quarter.

There were 754,800 tons of ore milled by the company and its subsidiaries during the first six months of 1978 compared to 755,700 tons in 1977. The operating cost per ton rose from \$22.14 to \$24.97, an increase of 12.7 per cent. This increase from the prior year is in part due to an expanded underground development program but primarily reflects higher costs of materials, supplies and labour.

During the second quarter, the company sold its 82,400 shares of Citic Service Company Limited for a profit before taxes of \$2,499,000. This transaction, together with the sale of 24,715 shares of Crow's Nest Industries Limited in the first quarter has resulted in a total net gain for the year to date of \$2,975,000 after providing for income taxes payable of approximately \$675,000.

Equity in the earnings of Dome Petroleum Limited rose from \$7,821,000 in the first six months of 1977 to \$8,540,000 in the six months ended June 30, 1978.

During the first half of the year, 55,000 shares of Canada Tungsten Mining Corporation Limited were purchased. The total number of shares owned by Dome is thereby increased to 1,000,912 or 20.1% of

the total 4,990,000 issued shares of that company. As a result the investment in Canada Tungsten is now accounted for on an equity basis. The company's share of the earnings of Canada Tungsten for the six months is \$2,025,000 in 1978 and \$1,411,000 in 1977 after retroactive application of the equity basis of accounting. The effect of applying equity accounting retroactively has been to increase previously reported six month net earnings for 1977 by \$1,237,000 or \$0.20 per share.

On March 28, 1978 a total of 461,700 shares or 10.1% of the total 4,568,221 issued shares of Denison Mines Limited were purchased by Dome and its subsidiary companies as to 50% or 230,850 shares by Dome Mines Limited, 40% or 184,680 shares by Campbell Red Lake Mines Limited and 10% or 46,170 shares by Sigma Mines (Quebec) Limited. Purchase of these shares of a large and profitable Canadian uranium producer serves to increase the exposure of Dome and its subsidiaries in the energy resource field and complements the investment in oil and gas represented by the ownership in Dome Petroleum and Panarctic Oils Limited.

The company has reached agreement with its employees for a one-year contract ending April 17, 1979.

M. A. TASCHEREAU  
President

August 15, 1978

**DOME  
MINES  
LIMITED**

**INTERIM REPORT**

Six Months Ended  
June 30, 1978

Printed in Canada

CONSOLIDATED STATEMENT OF INCOME  
for the six months ended June 30, 1978 and 1977  
(Unaudited)

	1978	1977
Bullion revenue.....	\$34,777,000	\$27,900,000
Operating costs:		
Development.....	2,502,000	2,015,000
Mining.....	9,855,000	8,958,000
Milling.....	3,695,000	3,239,000
Refining and marketing.....	180,000	187,000
General and administrative.....	1,669,000	1,432,000
Taxes other than income and mining.....	237,000	205,000
Depreciation and amortization.....	703,000	690,000
	<u>18,841,000</u>	<u>16,726,000</u>
	15,936,000	11,174,000
Operating profit		
Other income:		
Dividends.....	474,000	657,000
Interest.....	1,367,000	1,861,000
Gain on sale of investments.....	3,650,000	(29,000)
Miscellaneous.....	443,000	2,489,000
	<u>5,934,000</u>	<u>2,489,000</u>
	21,870,000	13,663,000
Outside exploration expenditures.....	890,000	881,000
Income before taxes and other items.....	20,980,000	12,782,000
Income and mining taxes:		
Federal income taxes..	4,834,000	3,335,000
Provincial income taxes.....	1,679,000	1,078,000
Provincial mining taxes.....	2,630,000	1,851,000
	<u>9,143,000</u>	<u>6,264,000</u>
	11,837,000	6,518,000
Equity in earnings of affiliated companies..	10,565,000	9,232,000
Minority interest in net income of subsidiary companies.....	(3,303,000)	(2,507,000)
Net income for the period	<u>\$19,099,000</u>	<u>\$13,243,000</u>
Net income per share....	<u>\$3.22</u>	<u>\$2.22</u>
Dividends per share.....	<u>\$0.40</u>	<u>\$0.40</u>
Weighted average number of shares outstanding*.....	5,940,435	5,956,786

\*The number of shares is after deduction of Dome Mines Limited's pro rata interest in its own shares held by an affiliated company, Dome Petroleum Limited.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
for the six months ended June 30, 1978 and 1977  
(Unaudited)

	1978	1977		1978	1977
Source of working capital:			Changes in components of working capital:		
Operations –			Increase (decrease) in current assets –		
Net income for the period.....	\$19,099,000	\$13,243,000	Cash and bank term deposits.....	(\$16,057,000)	\$ 1,762,000
Items not affecting working capital:			Bullion.....	534,000	(578,000)
Depreciation and amortization....	703,000	690,000	Short-term commercial paper.....	(6,607,000)	2,181,000
Equity in undistributed earnings of affiliated companies.....	(10,565,000)	(9,058,000)	Marketable securities.....	(2,223,000)	(679,000)
Minority interest in income of subsidiaries less dividends paid	2,153,000	1,356,000	Sundry receivables..	(72,000)	174,000
Gain on sale of investments.....	(3,650,000)		Mining and milling supplies	(88,000)	232,000
	<u>7,740,000</u>	<u>6,231,000</u>		<u>(24,513,000)</u>	<u>3,092,000</u>
Proceeds on sale of investments.....	6,223,000		Increase (decrease) in current liabilities –		
Total.....	<u>13,963,000</u>	<u>6,231,000</u>	Bank indebtedness..	2,500,000	
Disposition of working capital:			Salaries and wages payable.....	60,000	263,000
Dividends.....	2,576,000	2,576,000	Accounts payable...	339,000	858,000
Expenditures on capital assets (net)..	387,000	441,000	Accrued charges....	(476,000)	35,000
Investment in Canada Tungsten Mining Corporation Limited	536,000		Accrued taxes.....	(1,634,000)	378,000
Other investments.....	33,370,000	1,137,000	Dividends payable..	(2,396,000)	(519,000)
Total.....	<u>36,869,000</u>	<u>4,154,000</u>		<u>(1,607,000)</u>	<u>1,015,000</u>
Net increase (decrease) in working capital for the period.....	(\$22,906,000)	\$ 2,077,000	Net increase (decrease) in working capital for the period.....	(22,906,000)	2,077,000
			Working capital, beginning of the year..	53,318,000	50,039,000
			Working capital, end of the period.....	<u>\$30,412,000</u>	<u>\$52,116,000</u>